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Washington Business

Ex-CIA Man

Testifies in Hodgdon Case

By RICE ODELL

A former CIA agent turned stockbroker was the first witness yesterday as the Securities & Exchange Commission began presenting evidence to support its long and complex charges against the Washington brokerage firm, Hodgdon & Co.

He was Ray C. Johns, a handsome, 42-year-old blond who lives at 1020 Shipman Lane, McLean and who worked as a salesman for the company from 1958-62, after nine years with the CIA.

Mr. Johns who is now with Hayden Stone, Inc., is one of more than 60 witnesses thru whom the SEC intends to prove its allegations that the firm and officers of it were involved in the fraudulent sale of dozens of stocks, including some in which they had special interests.

Among 44 securities listed in the complaint are several theatrical ventures of A. Dana Hodgdon, founder and former board chairman who resigned all interests several months ago, according to an announcement. The name was changed to Hodgdon, Haight & Co.

EXPERTISE

Mr. Johns' testimony was directed principally at the stock of U.S. Infrared Corp., one of those which the SEC claims was sold thru "deceptive and misleading" statements.

Infrared was a small area firm whose head, Patrick McCarthy, had developed an infrared gun claimed to be useful in detecting "hotboxes" on railroad cars.

Mr. Johns testified that in August, 1960, Louis A. Amann, a Hodgdon vice president at the time, and one of 11 men named in the complaint, "asked me if I'd be interested to raise some money for a private underwriting for the firm."

He said there were several meetings at which Mr. McCarthy demonstrated the gun, and he had invited several experts and clients for an appraisal. Among these were Dr. Francis Rawdon Smith, an electronics engineer with his own consulting firm here, and George L. Erion, who has international rights to the Sidewinder missile, also an infrared device which seeks out the heat of a jet's after-burner.

'MASTERPIECE'

Mr. Johns said the gun was tested by aiming it at a light bulb overhead. "It didn't work at that time," Dr. Smith, who lives in Frederick, testified later. "He (McCarthy) said it was simply out of whack." Later he said it failed to respond appreciably to a soldering iron.

Mr. Johns said the viewers felt in general that the invention was "underdeveloped, that it was not yet worthy of serious promotion." He said Dr. Smith called it a "masterpiece of insensitivity to heat."

"I made an added effort to determine the amount of risk," Mr. Johns said. Prompted by a year he spent working in the insurance business, he said, he "talked to Mr. McCarthy and found that due to high blood pressure and a heart condition he was uninsurable."

Participants said that Mr. McCarthy did, in fact, die of a heart attack several months later.

Mr. Johns testified that Infrared stock was sold thru the auspices of Hodgdon & Co.; and Dr. Smith said he later found out that Mr. Amann was an officer of Infrared.

'WRONG'

Mr. Johns also said that he was more or less fired by Mr. Hodgdon when he told him, in connection with another stock, that he "didn't like the underwriting because the prospectus showed the company to be insolvent."

He said that this insolvency prohibited its sale in Virginia under a law which Mr. Hodgdon called "archaic." He said Mr. Hodgdon told a group of salesmen to use D.C. or Maryland addresses if they sold it to Virginia residents.

Under cross-examination Mr. Johns admitted that in his selling he "tended to emphasize low-priced securities not recommended by the firm" (tho their sale was authorized by it).

He said some other salesmen were selling them, but he was not offering any excuses.

"The times in the market were such when there was a great amount of such low-priced stock," he said. "It was wrong, but in ignorance I was involved."

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